

First Steps in C. S. A.

9. WAGES

Section I.—Meaning of words

Capital (in general) : "wealth used for the production of more wealth" may be :—

(a) *money* invested in business or industry : or goods which a merchant has in his shop and which gives a money return when sold—*Circulating Capital*.

(b) *plant, machines and instruments of industry and trade* which yield a revenue without changing hands or circulating further—*Fixed Capital*.

Capitalism : "system of production, exchange and distribution of goods and services with the following characteristics : a large proportion of the working population are wage-earners ; the ownership and control of the entire, or greater part, of the economic system are in the hands of a relatively small minority, and lastly, the primary motive of these owners is maximum profit."

N.B.—In a further lesson on *Private Property* we shall return to a fuller discussion of *Capital* and *Capitalism*.

Distribution : "the division by means of wages of the total wealth (goods and services) between the members of the country".

Economic regime : "the organisation which results from the different human actions of producing, buying, selling, exchanging and using goods and services for the satisfaction of human wants".

Profit : "the difference between the expense of producing commodities and their selling price".

Socialism (economic) : "a system of planned economy which is directed by a central planning authority appointed by the State". The ownership control exercised by such an authority may vary from one that is full and entire as in the U.S.S.R. to one that is moderate as in the U.K.

Section II.—Wages & our modern economic regime

(a) *The aim of economic organisation.* The economic organisation of any country whether Capitalistic or Socialistic serves a twofold purpose:—

- (i) To satisfy the material requirements (e.g., food, clothes, etc.) of the people.
- (ii) To provide incomes to a vast number of people. Such incomes may be, either interest or dividends from investments in industry, or wages earned by workers.

In this lesson we are concerned with WAGES only. How are wages fixed? Generally speaking, in capitalistic and moderate socialistic countries, the chief factor which decides the price of labour is, as economists tell us, the demand and supply of labour. Thus if the supply of brick-masons is greater than the demand, the wages of such workers will tend to fall. The same is generally true of the price of raw materials, such as, coal, iron, etc.; if the supply of coal is greater than the demand for it, the price of coal will tend to fall. Of course, the working of the law of demand and supply holds good only on *certain conditions*, and it does not explain the final cause which decides the level of wages. Hence we must ask a further question. From the viewpoint of the owner and employer what causes his demand for labour to increase or decrease? Now to the employer and owner of industry, Labour like raw materials, is merely a factor of production. In order to produce his goods, e.g., boots and shoes, he has to pay wages to workmen and the price of iron, coal, leather, etc., which he needs for the production of boots and shoes. Wages and the price of raw materials, therefore, enter into the costs of production, and in order to keep profits high, the employer must keep these costs of production as low as possible. Hence owners and employers will tend to increase or decrease the demand for labour only when such an increase or decrease will yield higher profits.

Generally speaking, therefore, the demand for labour in a Capitalistic regime will tend to be regulated by the profit-yielding possibility of an increase or decrease of labour; while in a Socialistic regime the material efficiency of State-owned industries will regulate the demand for labour.

It follows, therefore, that both Capitalism and Socialism tend to treat labour in the same manner in which raw materials are "priced" and "valued". That is to say, both systems

tend to disregard the important fact that *Labour is the human factor of production*, while raw materials are the non-human factors of production. Because Capitalism and Socialism tend to disregard this distinction, the former often sacrifices the human interests of workers to the benefit of private owners, and the latter sacrifices the workers to the good of an omnipotent State.

Section III.— Wages & Distribution

The wealth of any country in the form of goods and services is enjoyed by the greater majority of people chiefly through their wages. It is clear that small income earners have a smaller share of this wealth than those enjoying a large income. Some of the chief reasons which lead to inequalities of wages are:—

- (i) Physical inequalities among workers which fit some workers better than others to undertake heavy manual labour.
- (ii) Intellectual inequalities which preclude many workers from entering skilled employment or employment requiring long years of study.

While the average worker usually understands that inequalities of wages must exist in any society, he generally resents, and with good reason, an insufficient wage which does not permit him and his family to enjoy a degree of reasonable comfort. Complete equality of wages is not essential to a healthy social order, nor, even if it can be realised, can it alone establish social justice and peace. "It is found by practical experience," writes Pope Leo XIII, "that many a workman lives poorly and miserably, in spite of shorter hours and higher wages because of his character being bad and religion having no hold upon him." (*On Christian Democracy*). This is the moral element in the problem of distribution, and one which is completely neglected by both Capitalism and Socialism.

Section IV.— Pius XI on fixing a just living wage

In *Atheistic Communism* Pope Pius XI teaches us that the claims of a just wage are claims of social justice. "Social justice," says the Holy Father, "cannot be said to be satisfied so long as working men are denied a wage that will enable them to secure proper sustenance for themselves and for their families" (para 52). That is to say, labour is given in exchange for the wage, and to pay less than the living wage is a gross injustice. The price of labour, here and now, in actual

circumstances, must enable the wage-earner to support himself and his family in reasonable comfort.

In *Quadragesimo Anno*, Pius XI indicates the main elements to be considered when fixing a just living wage. These are :—

(a) *The personal needs of the worker.* This includes the average expenses of the family budget of an honest worker and his family, and also the opportunity to save something from his wage. We must note carefully that Capitalism and Socialism hardly take this element into consideration ; while in Catholic teaching, this is the most important element and comes first in fixing a wage-level.

(b) *The financial state of the employer and his business.* While inefficient and bad management cannot excuse an employer from paying a just living wage, it may happen that due to circumstances beyond his control he cannot pay a just wage, e.g., high costs of raw materials, etc. In such a case a remedy must be sought by a joint management-labour council, and if need be, the State should be asked to help.

(c) *The interests of the whole community or country.* This is the most difficult element to be reckoned with in fixing a just wage. It needs a detailed study of the connection between wages and prices in the whole economic organisation of the country so as to maintain a correct level of wages in the different industries and between prices of different goods. Hence a knowledge of economics and of the working of the practical economic system is essential to a correct estimate of this factor in fixing the level of wages.

READING. On fixing a just wage : *Quadragesimo Anno*, paras : 67-76 ; 76-88. On social justice and the living wage : *Divini Redemptoris*, paras : 49-55. On Wages in economic theory : Read chapter on Wages in any book on economics.

EXERCISES AND FIELD WORK—

1. What is the aim of our economic organisation ?
2. What do you understand by human and non-human factors of production ? Explain the importance of this distinction when fixing a just living wage.
3. What factors would you take into consideration when fixing a just living wage ?
4. Find out the costs involved in the family budget of :—
(a) a domestic servant. (b) a skilled carpenter.

C. C. C.

n-

e-
se

he
er
ng
nd
ile
nd

ss.
m-
hat
ust
e a
un-

try.
ix-
ion
ion
in
ods.
the
e of

no,
ge :
mic
s.

man
inc-

when

f:—